

**PART 5**

**2005 CDBG-SUPPORTED  
ECONOMIC DEVELOPMENT LOAN FUND PROGRAMS  
ANNUAL PERFORMANCE REPORT**

**MARCH 2006**

## **PART 5.**

### **CDBG SUPPORTED ECONOMIC DEVELOPMENT LOAN FUND PROGRAMS**

The state of Washington manages three Community Development Block Grant (CDBG) supported Loan Fund Programs:

- Section 108 Loan Guarantee Program
- Rural Washington Loan Fund
- Float Loan Program

The purpose of this section is to report activity for these three funds during program year 2005 (January 1-December 31, 2005). Section A of this part will provide information detailing loan activity and balances for the year. Section B contains project specific detail for each open program year (2004-2005).



#### **A. CURRENT LOAN ACTIVITY FOR PROGRAM YEAR 2005**

##### Section 108 Loan Guarantee Program

Section 108 is the loan guarantee provision of the CDBG program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Regulations governing the Section 108 program may be found at 24 CFR 570, Subpart M, "Loan Guarantees." A list of obligations current as of December 31, 2005 is in Table 6A below.

Although a pledge to back a loan guaranteed project does not immediately reduce the state's CDBG allocation, future reductions due to payment default may result in the reduction of the state's annual award. Reductions to the state's annual award are absorbed by the Contingency Fund. Reductions in excess of the available balance within the Contingency Fund are to be absorbed proportionally by all CDBG grant programs (non-loan fund programs). In program year 2005 the state pledged up to its 2004 CDBG allocation (\$18 million) to be used for the Loan Guarantee Program. No Loan Guarantee projects were completed in 2005. Total loan guarantee fees collected in 2005 were \$0.

**Table 5A. Detail of Existing Section 108 Loan Guarantee Projects**

Name	Location	Year	Original Amount	Balance as of 12/31/05	CDBG Fund Losses	Maturity Date
Shilo Inn	Ocean Shores	1994	\$3,600,000	\$2,050,000	0	8/1/2014
Icicle Amusement	Leavenworth	1996	\$2,020,000	\$1,030,000	0	8/1/2015
Everybody's of Raymond	Raymond	2001	\$1,960,000	\$1,440,000	0	8/1/2016
Grays Harbor PDA	Grays Harbor Co.	2001	\$4,565,000	\$4,415,000	0	8/1/2021
Maritime Center	Pt. Townsend	2002	\$1,000,000	\$690,000	0	8/1/2023
<b>Total Currently Obligated:</b>				<b>\$9,625,000</b>		

**Rural Washington Loan Fund**

The Rural Washington Loan Fund (RWLF), administered by the Economic Development Division within CTED, was created by the Washington State Legislature to provide "gap financing" to small businesses, primarily in economically distressed and timber-impacted areas of the state. To conform to the State Constitution, the RWLF Program exchanges the state appropriated RWLF funds with an equal amount of CDBG Program funds. RWLF is guided by RCW 43.168 in addition to HUD regulations. Table 6B details a listing of jurisdictions that have participated in using this resource to support businesses that are currently holding loans.

The total beginning cash balance for the RWLF Program as of January 1, 2005 was \$4,543,374. The total ending cash balance for the RWLF Program as of December 31, 2005 was \$4,548,063.79 (amount available for re-lending in 2005 as well as any eligible administrative costs of up to two percent of program income received).

**Table 5B. Outstanding RWLF Loans (as of 12/31/05)**

<u>Sponsoring Jurisdiction</u>	<u>Calendar Year Lent</u>	<u>Original Loan Amount</u>	<u>Total Payments to 12/31/05</u>	<u>Principal Balance Due (12/31/05)</u>
City of Ellensburg	2005	\$500,000	\$17,197.20	\$493,896.63
City of Sedro-Woolley	2004	\$700,000	\$82,276.41	\$671,197.98
City of Selah	2004	\$100,000	\$22,273.90	\$84,562.36
Town of Waterville	2003	\$314,000	\$73,119.30	\$263,942.15
City of Union Gap	2003	\$400,000	\$101,245.25	\$328,985.73
City Of Shelton	2003	\$700,000	\$231,574.32	\$520,079.13
City of Moses Lake	2002	\$405,000	\$124,766.65	\$362,844.03
City of Omak	2001	\$249,100	\$77,752.65	\$225,136.76
Okanogan County	2000	\$240,000	\$265,000.00	\$43,243.61
City of Sunnyside	2000	\$700,000	\$189,663.68	\$687,309.65
Yakima County	2000	\$270,000	\$97,982.41	\$268,370.19
City of Ellensburg	2000	\$35,000	\$4,105.79	\$47,290.02
City of Oroville	2000	\$189,387	\$75,744.90	\$151,350.03
City of Republic	1999	\$95,000	\$45,359.00	\$55,913.48
City of Shelton	1997	\$50,000	\$52,000.04	\$27,621.40
Yakima County	1996	\$497,448	\$317,122.25	\$489,569.06
City of Hoquiam	1996	\$320,000	\$127,283.45	\$284,591.44
City of Anacortes	1994	\$65,000	\$82,250.48	\$32,277.00
City of Sunnyside	1990	\$68,699	\$143,273.43	\$0
<b>TOTALS</b>		<b>\$5,898,634</b>	<b>\$2,129,991.11</b>	<b>\$5,038,180.64</b>

In 2005, the loan involving the City of Ellensburg was renegotiated and the overdue interest on the loan was capitalized. As a result the loan balance rose to \$47,520.02, \$230 of which has been paid down since.

During 2005, the Department also wrote-off previously reported loans to the City of Centralia (\$145,413.62 in remaining principal balance), the City of Langleigh (\$33,457.90 principal loan balance), and a 1994 loan to the City of Centralia (\$131,045.36 loan balance).

In 2005, CDBG grants and loans provided funding to create or retain 26 jobs, of which 26 will be made available for low- and moderate-income persons.

### Float-Funded Activities Program

CTED manages the Float-Funded Activities program that serves non-entitlement jurisdictions by using CDBG funds allocated to the Washington State CDBG Program, but not expected to be drawn down for the duration of the loan term. These funds may be used to provide short-term loans to businesses/developers for economic development/job creation activities that meet a HUD National Objective. Float-funded activities are described in the HUD regulations at 24 CFR 570.301 (b).

In 2005, the Float-Funded Activities Program directly funded one float-funded activity totaling \$350,000 with City of Clarkston to provide crucial financing for the Grassland West project. This float-funded activity is listed in the summary table below and in the IDIS detail information for program year 2005 provided in Part 4.

### *AMOUNT OF FUNDS AVAILABLE*

Based on the estimated cash expenditures of CDBG construction grants and the amount of estimated funding available for the FY 2005 Washington State CDBG Program, a total of \$350,000 of CDBG resources were made available for float-funded activities in program year 2005. Total program income received from float-funded activities for program year 2005 was \$647,250.40. Up to two percent of all float-funded activity resources held and collected by the state may be used for administrative activities.

**Table 5C. Float-Funded Activities (as of 12/31/05)**

Name	Location	Year	Float-Funded Activities Amount	Float-Funded Activities Program Income	Date of Issuance	Due Date
Grassland West	City of Clarkston	2005	\$350,000	\$5,235.61	2/23/05	8/23/07
Cardinal Glass	Lewis County	2004	\$8,400,000	\$0	12/30/04	6/30/07
Cascade Coatings	Lewis County	2003	\$605,000	\$616,072.32	6/24/03	12/24/05
Gorge Delights	Skamania County	2003	\$250,000	\$5,000	9/4/03	3/4/06
Shoemaker Manufacturing	Kittitas County	2003	\$1,050,000	\$20,942.47	10/29/03	4/29/06
<b>* All Float-funded activities are secured in full by an Irrevocable Bank Letter of Credit.</b>						

### **B. INTEGRATED DISBURSEMENT INFORMATION SYSTEM PROJECT DETAIL**

The attached tables provide project detail for the Rural Washington Loan Fund activities in currently open program years (2002 through 2005).